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Attorney Docket No.:1021002

Title: Method and System for Discount Debit Card

Hon. Commissioner of Patents, Alexandria, VA. 22313

Response After Final Rejection; 37 CFR §116

Applicant makes this timely response appealing the rejection of claims 1-18, and 28 to 36 as obvious under 35 U.S.C. §103

I.

The disclosures of Harris, Pierce, and Barbara

Harris is the cited primary reference. As stated and described in the Summary, it discloses,

[In] accordance with the principles of the invention . . . a system and method for providing a discount for a credit-based transaction. The system includes a discount credit network wherein a participant holding a transaction card account issued by a card issuer is assigned a membership number that is associated with one of the participant's transaction card accounts. Preferably, each membership number comprises a bank identification number assigned by a VISA.RTM. credit card system, thereby allowing the membership number to access and be processed by a VISA.RTM. credit transaction network.

Preferably, during the settlement process of the present invention, both a debit transaction for 100% of the purchase price and a credit transaction for the discount savings are recorded on the participant's transaction card account

statement. The settlement process may preferably occur either as a direct on-line process or in batch mode.

Pierce, cited with Harris, discloses a credit card system for identifying credit card user preferences through an analysis of their respective purchase history. Then, discount offers are made to the credit card users related to their respective purchase histories.

Barbara, cited with respect to Claims 7, 16, and 33, is a more complex version of an on line payment system, where funds are transferred from a card users funded account, to a recipient. As stated in its Summary,

[0065] Referring now in detail to an embodiment of the invention, an example of which is illustrated in the accompanying drawings, an embodiment of the present invention makes use, for example, of a payment engine that facilitates the making of payments between two individuals, such as someone who wants to send money to a child at college, via the Internet. A person-to-person aspect of an embodiment of the present invention enables the making of such payments between individuals without the necessity of using, for example, checking accounts or savings accounts to fund those payments. The person-to-person aspect allows two people to use their credit cards, for example, to facilitate an on-line person-to-person transaction. An embodiment of the present invention makes use of an engine built, for example, on a bank cards technology platform of a financial institution, such as a bank, which enables features, such as allowing users to purchase at on-line merchants using monies that they received as cash in a person-to-person transaction.

Credit card and debit card systems, are explained, for example in Wikipedia, an Internet encyclopedia at <http://wikipedia.org/>.

According to wikipedia, credit cards and debit cards, explained as,

“A credit card is a system of payment named after the small plastic card issued to users of the system. A credit card is different from a debit card in that it doesn't remove money from the user's account after every transaction. In the case of credit cards, the issuer lends money to the consumer (or the user).It is also different from a charge card (though this name is sometimes used by the public to describe credit cards), which requires the balance to be paid in full each month. In contrast, a credit card allows the consumer to 'revolve' their balance, at the cost of having interest charged.”

(See http://en.wikipedia.org/wiki/Credit_card),

and,

“[A] debit card is a plastic card which provides an alternative payment method to cash when making purchases. Physically the card is an ISO 7810 card like a credit card; however, its functionality is more similar to writing a check as the funds are withdrawn directly from either the cardholder's bank account (often referred to as a check card), or from the remaining balance on a gift card.

II.

The Law

The leading case law on 35 U.S.C. 103 Obviousness, is in **KSR INTERNATIONAL CO., PETITIONER v TELEFLEX INC. ET AL.** No. 04-1350. Supreme Court of United States. Argued November 28, 2006. Decided April 30, 2007.

The issue before the Court, was the rejection under 35 U.S.C. 103, of claimed invention, recited in Claim 4 as,

A vehicle control pedal apparatus comprising:

a support adapted to be mounted to a vehicle structure;

an adjustable pedal assembly having a pedal arm moveable in for[e] and aft directions with respect to said support;

a pivot for pivotally supporting said adjustable pedal assembly with respect to said support and defining a pivot axis; and

an electronic control attached to said support for controlling a vehicle system;

said apparatus characterized by said electronic control being responsive to said pivot for providing a signal that corresponds to pedal arm position as said pedal arm pivots about said pivot axis between rest and applied positions wherein the position of said pivot remains constant while said pedal arm moves in fore and aft directions with respect to said pivot.

In the Courts statement, it identified the problem addressed by the invention as an improved electronic sensor for sensing the position of a mechanical foot pedal by an electrical signal produced by a mechanical electrical transducer, mechanically connected to the foot pedal.

The Court acknowledged in the 1990's it became more common to install computers in cars to control engine operation. Computer-controlled throttles open and close valves in response to electronic signals, not through force transferred from the foot pedal by a mechanical link.

As stated by the Court,

For a computer-controlled throttle to respond to a driver's operation of the car, the computer must know what is happening with the pedal and an electronic sensor is necessary to translate the mechanical operation of the foot pedal, into digital data the computer can understand. At 5.

The prior art patents cited were Redding and Smith. Redding provided an example of an adjustable pedal and Smith explained how to mount a sensor on a pedal's support structure, and the rejected patent claim merely put these two teachings together. Claim 4 was allowed as non obvious by the examiner, because it included the limitation of a fixed pivot point, which distinguished the design from Redding's. At 8.

The factors defining the inquiry of "obviousness," are set out in *Graham v. John Deere Co. of Kansas City*, 383 U. S. 1, 17-18, as an out an objective analysis for applying '103: "[T]he scope and content of the prior art are . . . determined; differences between the prior art and the claims at issue are . . . ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." While the sequence of these questions might be reordered in any particular case, the factors define the controlling inquiry. At 2.

s a set of guiding principles in applying the Graham test, the Court set out the following, at 3,

1. A Combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results. See, e.g., *United States v. Adams*, 383 U. S. 39, 50-52.

2. When a work is available in one field, design incentives and other market forces can prompt variations of it, either in the same field or in another.

3. If a person of ordinary skill in the art can implement a predictable variation, and would see the benefit of doing so, '103 likely bars its patentability.

4. Moreover, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond that person's skill.

5. A court must ask whether the improvement is more than the predictable use of prior-art elements according to their established functions. Following these principles may be difficult if the claimed subject matter involves more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.

6. To determine whether there was an apparent reason to combine the known elements in the way a patent claims, it will often be necessary to look to interrelated teachings of

multiple patents; to the effects of demands known to the design community or present in the marketplace; and to the background knowledge possessed by a person having ordinary skill in the art.

7. To facilitate review, this analysis should be made explicit. But it need not seek out precise teachings directed to the challenged claim's specific subject matter, for a court can consider the inferences and creative steps a person of ordinary skill in the art would employ.

The Court addressing combination patents, stated, at 10,

Court has held that a "patent for a combination which only unites old elements with no change in their respective functions . . . obviously withdraws what is already known into the field of its monopoly and diminishes the resources available to skillful men." *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U. S. 147, 152 (1950). This is a principal reason for declining to allow patents for what is obvious. The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results. Three cases decided after *Graham* illustrate the application of this doctrine.

In *United States v. Adams*, 383 U. S. 39, 40 (1966), a companion case to *Graham*, the Court considered the obviousness of a "wet battery" that varied from prior designs in two ways: It contained water, rather than the acids conventionally employed in storage batteries; and its electrodes were magnesium and cuprous chloride, rather than zinc and silver chloride. The Court recognized that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result. 383 U. S., at 50-51. It nevertheless rejected the Government's claim that *Adams's* battery was obvious. The Court relied upon the corollary principle that when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious. *Id.*, at 51-52. When *Adams* designed his battery, the prior art warned that risks were involved in using the types of electrodes he employed. The fact that the elements worked together in

an unexpected and fruitful manner supported the conclusion that Adams's design was not obvious to those skilled in the art.

In *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U. S. 57 (1969), the Court elaborated on this approach. The subject matter of the patent before the Court was a device combining two pre-existing elements: a radiant-heat burner and a paving machine. The device, the Court concluded, did not create some new synergy: The radiant-heat burner functioned just as a burner was expected to function; and the paving machine did the same. The two in combination did no more than they would in separate, sequential operation. *Id.*, at 60-62. In those circumstances, "while the combination of old elements performed a useful function, it added nothing to the nature and quality of the radiant-heat burner already patented," and the patent failed under '103. *Id.*, at 62 (footnote omitted). Finally, in *Sakraida v. AG Pro, Inc.*, 425 U. S. 273 (1976), the Court derived from the precedents the conclusion that when a patent "simply arranges old elements with each performing the same function it had been known to perform" and yields no more than one would expect from such an arrangement, the combination is obvious. *Id.*, at 282.

In an inquiry of obviousness, the Court found,

[T]he principles underlying these cases are instructive when the question is whether a patent claiming the combination of elements of prior art is obvious. When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, '103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill. *Sakraida* and *Anderson's-Black Rock* are illustrative. The Court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions.

The Court of Customs and Patent Appeals captured a helpful insight when it first established the requirement of demonstrating a teaching, suggestion, or motivation to combine known elements in order to show that the combination is obvious, Referring to Application of Bergel, 292 F. 2d 955, 956-957 (1961), the Court , said, at 11,

As is clear from cases such as Adams, a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art. Although common sense directs one to look with care at a patent application that claims as innovation the combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.

In any analysis of "obviousness," the Court cautioned, at 11,

. . . Rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness"). As our precedents make clear, however, the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.

In addressing the analysis of the Court or Appeals in the case sub judice, the Court identified as errors,

The first error of the Court of Appeals in this case was to foreclose this reasoning by holding that courts and patent examiners should look only to the problem the patentee was trying to solve. 119 Fed. Appx., at 288. The Court of Appeals failed to recognize that the problem motivating the patentee may be only one of many addressed by the patent's subject matter. The question is not whether the combination was obvious to the patentee but whether the combination was obvious to a person with ordinary skill in the art. Under the correct analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.

The second error of the Court of Appeals lay in its assumption that a person of ordinary skill attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem. Ibid. The primary purpose of Asano was solving the constant ratio problem; so, the court concluded, an inventor considering how to put a sensor on an adjustable pedal would have no reason to consider putting it on the Asano pedal. Ibid. Common sense teaches, however, that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle. Regardless of Asano's primary purpose, the design provided an obvious example of an adjustable pedal with a fixed pivot point; and the prior art was replete with patents indicating that a fixed pivot point was an ideal mount for a sensor. The idea that a designer hoping to make an adjustable electronic pedal would ignore Asano because Asano was designed to solve the constant ratio problem makes little sense. A person of ordinary skill is also a person of ordinary creativity, not an automaton.

Addressing the analysis in the Court of Appeals decision *sub judice*, the Court found,

The same constricted analysis led the Court of Appeals to conclude, in error, that a patent claim cannot be proved obvious merely by showing that the combination of elements was "obvious to try." *Id.*, at 289 (internal quotation marks omitted). When there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense. In that instance the fact that a combination was obvious to try might show that it was obvious under '103.

The Court of Appeals, finally, drew the wrong conclusion from the risk of courts and patent examiners falling prey to hindsight bias. A fact finder should be aware, of course, of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning. See *Graham*, 383 U. S., at 36 (warning against a "temptation to read into the prior art the teachings of the invention in issue" and instructing courts to "'guard against slipping into the use of hindsight'" (quoting *Monroe Auto Equipment Co. v. Heckethorn Mfg. & Supply Co.*, 332 F. 2d 406, 412 (CA6 1964))). Rigid preventative rules that deny fact finders recourse to common sense, however, are neither necessary under our case law nor consistent with it.

The Court, finding the District Court was correct to conclude that, as of the time the invention was reduced to practice, and as recited in the allowed claim 4, there then existed a marketplace that created a strong incentive to convert mechanical pedals to electronic pedals, and the prior art taught a number of methods for achieving this advance. At 13.

The Court, starting with a market place needs analysis, saw as the proper question to have asked was ,

whether a pedal designer of ordinary skill, facing the wide range of needs created by developments in the field of endeavor, would have seen a benefit to upgrading [the Asano patent], with a sensor.

At 14.

The Court's found for the electronic sensing accelerator pedal, in response to its own question, put rhetorically, was there existed a "wide range of needs created by developments in the field of endeavor" using the existing prior art facts,

a) the '936 patent taught the utility of putting the sensor on the pedal device, not in the engine.

b) Smith, in turn, explained to put the sensor not on the pedal's footpad but instead on its support structure. c) from the known wire-chafing problems of Rixon, and Smith's teaching that "the pedal assemblies must not precipitate any motion in the connecting wires," the designer would know to place the sensor on a non moving part of the pedal structure. and

d) the most obvious nonmoving point on the structure from which a sensor can easily detect the pedal's position is a pivot point.

At14.

The Court, concluded that a designer, accordingly, would follow the teaching of Smith that the pedal assemblies must not predicate any [translational] motion in the connecting wire and to mount the sensor on the pivot,, a stationary point relative to translational movement of the pedal, thereby designing an adjustable electronic pedal covered by claim 4.

Using the market needs analysis, the Court found a designer, following similar steps to those just explained, would learn from Smith to avoid sensor movement and would come, thereby, to Asano because Asano disclosed an adjustable pedal with a fixed pivot.

As concluded by the Court,

The prior art discussed above leads us to the conclusion that attaching the sensor where both KSR and Engelgau put it would have been obvious to a person of ordinary skill.

Applying 35 U.S.C. 103 , to the instant invention, the errors identified by T]he Court as made by the Court of Appeals, are considered in view of the Graham test. In summary, the errors (see above), are,

- a) that the courts and patent examiners should look only to the problem the patentee was trying to solve.
- b) that a person of ordinary skill attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem.
- c) that a patent claim cannot be proved obvious merely by showing that the combination of elements was "obvious to try."
- d) that the risk of courts and patent examiners falling prey to hindsight bias, required rigid preventative rules, neither necessary under our case law nor consistent with it, that deny fact finders recourse to common sense.

A summary of the Courts analysis, is,

- a. a requirement in the case of a combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does;
- b. when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious;
- c. secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

III.

The rejection of Claims 1- 6, 8-15, 17-18, 28-32, & 34-36, under 35 USC 103 as being anticipated [sic] by Harris in view of Pierce, should be vacated.

There is nothing in Harris that discloses or teaches a discount debit system, recited, for example in system claim 1, as, *inter alia*,

“a merchant terminal responsive to eCard data the recited discount debit card system to transaction data related to a transaction made between a participating merchant and an eCard holder for transmitting transaction data to the discount debit plan provider's terminal; the discount debit plan provider's terminal responsive to the transaction data crediting the merchant's account with a merchant's discounted amount represented by the full transaction amount reduced by the participating merchant's discount and debiting the eCard holder's account with a eCard holder's discounted amount represented by the transaction amount reduced by the eCard holder's discount.”

There is nothing in Harris that discloses or teaches a discount debit method system, recited, for example in method claim 10, as, *inter alia*,

“the steps of, connecting into a telecommunications network a discount debit plan provider terminal containing data indicative of a discount debit card plan for use by participating merchants and for application to transactions with a discount debit plan provider's authorized eCard; connecting into said telecommunications network, a merchant terminal with merchant identifying data; including in said eCard, eCard data eCard holder's identifying data; transmitting said transaction data to said discount debit plan provider's terminal from said merchant terminal, responsive to said eCard data and to transaction data related to a transaction made between said participating merchant and said eCard holder; responsive to said transaction data, crediting said

merchant's account with a merchant's discounted amount represented by said full transaction amount reduced by said participating merchant's discount and debiting said eCard holder's account with a eCard holder's discounted amount represented by said transaction amount reduced by said eCard holder's discount.”

The most that may be attributed to Harris is the known elements of a credit card system or method, wherein discounts are applied to each purchase and with the card holder given credit for the purchase. Cited by examiner and as stated in the Detailed Description of Harris (see col. 3, lines 41 -65 and col. 4, lines 7 - 67), the Harris disclosed invention is a “discount credit system.” There is no mention in Harris of a “discount debit system,” as described and claimed in the instant invention.

Harris is limited to a disclosure of a conventional credit card transaction. Col. 5, lines 14 -62. The discount system is initiated by a credit transaction and is part of the credit system. The discount processing system 10, is responsive to the credit transaction. Col. 6. Lines 38 - end. Col. 7, lines 1 -3. If the credit transaction is approved, then a two step process is initiated. The first step is a conventional credit charge where the gross amount of the transaction is charged. Col 7, lines 12 –33. Col. 9, lines The second transaction is a settlement of accounts on a period basis. Col 7, lines 33 - 64.

The credit transaction with a discount. Is described in Harris as

“Preferably, during the settlement process of the present invention, both a debit transaction for 100% of the purchase price and a credit transaction for the discount savings are recorded on the participant's transaction card account statement. The settlement process may preferably occur either as a direct on-line process or in batch mode.”

(See Summary, Col.3, lines 7 -12).

The disclosure of “on - line process,” or “batch,” does not change, expand, or alter, the limited disclosure of a credit card system requiring a credit charge and a payment cycle.

The Final rejection states, *inter alia*,

“[H]owever, Harris . . . does not expressly disclose said discount debit plan providers terminal responsive to said transaction data for crediting said merchant’s account with a merchant’s discounted amount represented by said full transaction amount reduced by said participating merchant’s discount.”

(See Final rejection, Page 4, lines 8 -12)

Examiner attempts to fill the void in Harris, missing this recited claim element (see above),, by reference to Pierce’s asserted disclosure of,

“targeted payment discount utilizing bank cards to provide merchants with a flexible cost effective method of advertising to a large number of interested customers,” and

“merchant discounts within a credit transaction network to effectively and efficiently target offers deemed valuable to respective cardholders . . . which discussed merchant discounts in the context of a discounted credit transaction.”

(See Page 4)

Examiner’s conclusion, based on the above asserted facts of Harris and Pierce is, “Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Harris to include a merchant discount for participation in a discount debit card system as taught by Pierce in order to create a flexible, cost effective method for potential consumers to access various merchants, referring to col. 1, line 50 through col. 2, line 2, of Pierce for its discussion of the desire of merchants to find consumers interested in their products or services and the desire for consumers to have products or services they want or need at discount prices.”

The disclosure of Pierce does not support the facts asserted in the Final rejection. Pierce has not been shown as supplying the parts of Harris, and recited in the claims, in particular as stated in the Final rejection,

“the discount debit plan providers terminal responsive to said transaction data for crediting said merchant’s account with a merchant’s discounted amount represented by said full transaction amount reduced by said participating merchant’s discount.”

Pierce is nothing more than a system for identifying consumer preferences through their respective credit card purchases and offering targeted discounts related to those identified purchases. Pierce is the same credit card system as Harris and does not disclose or teach anything in relation to the problem of providing discounts in a debit card transactions.

The part of Pierce cited by examiner, col. 1, line 50 to col. 2 lines 5, is limited to the desire to obtain card holder related to purchases, from a credit card financial institution, which does not provide that information.

Any modification of Harris by Pierce, would be limited to the credit card discount system of Harris using the system of Pierce to assemble a data base of individuals and their respective purchases, as may be used for association of credit card holders with targeted discount offers. offers.

Examiner has not shown any reason that would have prompted a person of ordinary skill in the relevant field to combine the elements of Harris and Pierce in the way the claimed new invention does to provide, “said discount debit plan providers terminal responsive to said transaction data for crediting said merchant’s account with a merchant’s discounted amount represented by said full transaction amount reduced by said participating merchant’s discount.”

The disclosure of Harris is limited to the problem of a improving the discount processing in a credit card system. Pierce is limited to a data base of credit card holder purchases for associating credit card holders with preferred discounts for use in a credit card system. Harris and Pierce each teach a credit card system and teach away from a “discount debit count debit plan providers terminal responsive to said transaction data for crediting said merchant’s account with a merchant’s discounted amount represented by said full transaction amount reduced by said participating merchant’s discount,”

The entire rejection of claim 1, based on a “discount debit card system, as asserted by examiner is not supported by examiner’s references in Harris to a credit card system. The reference to Harris col. 5, lines 63 to col. 6, line 37, and col. 11, lines 50 -53, does not mention a “discount debit card system or, in particular, “discount debit count debit plan providers terminal responsive to said transaction data for crediting said merchant’s account with a merchant’s discounted amount represented by said full transaction amount reduced by said participating merchant’s discount.”

Combining Harris and Pierce would be limited to a credit card system. Examiner has not shown why claim 1 to 7, would be obvious when the prior art teaches away from the claimed debit card discount system.

Claim 8 reciting,

“the steps of, connecting into a telecommunications network a discount debit plan provider terminal containing data indicative of a discount debit card plan for use by participating merchants and for application to transactions with a discount debit plan provider's authorized eCard; connecting into said telecommunications network, a merchant terminal with merchant identifying data; including in said eCard, eCard data eCard holder's identifying data; transmitting said transaction data to said discount debit plan provider's terminal from said merchant terminal, responsive to said eCard data and to transaction data related to a

transaction made between said participating merchant and said eCard holder; responsive to said transaction data, crediting said merchant's account with a merchant's discounted amount represented by said full transaction amount reduced by said participating merchant's discount and debiting said eCard holder's account with a eCard holder's discounted amount represented by said transaction amount reduced by said eCard holder's discount” is not shown in Harris, on the grounds given for claims 1 -7, in particular, Harris does not disclose a debit card discount system, as shown by applicant.

Examiner has limited the rejection of claim 28 to a conclusion claim 28 is obvious as anticipated [sic] by Harris in view of Pierce. However, examiner has provided not facts and reasons for this conclusion and this rejection fails to meet the examination standard of competent substantial evidence and must be vacated.

Claim 28, reciting,

“A system for operating a discount debit card plan for processing of an eCard holder transaction by using a discount plan provider system responsive to a eCard holder related transaction data, crediting a merchant with the transaction amount reduced by a merchant discount and debiting the card holder with the transaction amount reduced by an eCard holder discount, and crediting the difference between the merchant discount and the card holder discount as at least one fee to the discount debit card plan provider or its affiliates, comprising,

means for storing and for processing data indicative of a discount debit card plan;

means for storing eCard holder identifying data;

means for the transmission and reception of data;

means for storing participating merchant identifying data and for processing transaction data indicative of a transaction with said means for storing eCard holder identifying data;

said means for storing and processing data indicative of a discount debit card plan, for processing said transaction data for said transaction with said eCard holder and said participating merchant, including a transaction amount, said participating merchant identifying data, and said eCard holder data;

said means for the transmission and reception of data for connecting said means for storing and for processing data indicative of a discount debit card plan and said means for storing participating merchant identifying data, for transmission of said transaction data to said means for storing data and for processing data, indicative of a discount debit card plan;

said means for storing and for processing data indicative of a discount debit card plan for crediting a participating merchant's account with a participating merchant's discounted amount represented by said transaction amount reduced by a participating merchant discount, and for debiting said eCard holder's account with an eCard holder's discounted amount represented by said transaction amount reduced by an eCard holder discount."

(underlining added)

has not been shown as disclosed or made obvious by the credit card systems of Harris and Pierce.

Barbara discloses a direct payment system which performs fund transfers. However, there is nothing in the stated rejection showing or teaching as in this case of a combination of two known devices according to their established functions, an identified reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does;

There is nothing in Harris, Pierce, and Barbara, that disclosed the recited invention in claim 7, 16, and 33.

As to claim 2, Harris, col.8, lines 42 - 52, are limited to a credit card system and do not disclose or teach applying discounts in a debit card system.

Examiners rejection is to identify the separate non interrelated parts of the cited references and conclude it obvious to fold Pierce into Harris, or the Harris and Pierce combination into Barbara. However, a requirement in the case of a combination of two known devices according to their established functions, is to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does and in a way that achieves the invention's result. .

Examiner has recited the elements of Harris, Pierce, and Barbara, without articulating any facts or reasons, based on facts, why one skilled in the art, looking at Harris, Pierce, and with the knowledge that the problems in ecard processing was processing of discount credit card transactions (see Harris), and building a data base of credit card purchases by respective card user, and improving the flow of funds in debit card systems, would have thought or found obvious to combine any of these references to produce the recited claimed invention.(See Page 8, lines 13 -end, and page 9, lines 1 - 3).

The fact that each of the cited patents have the separate parts of applicant=s invention is not an articulated reason for combining the separate elements of each patent to make the discount debit system and method out of a disclosed credit card discount system. There has been nothing shown in the prior art to demonstrate the problem of a discount debit card system had ever been attempted to given any consideration.

All levels of development were directed to approving and processing discount credit card transaction to improving the flow of funds in debit card transactions

The disclosed patents disclose respective completed systems, each with its integrated parts necessary for its respective object. There is nothing shown or disclosing any thought or consideration, given to the problem, need, or benefit, of a integrated discount debit system and method. That concept is original with applicant=s invention. The best that may be understood from the selection of cited patents, is to process a discount credit transaction, pay the merchant 100% of the amount due and then at settlement, transfer the funds, according

to the discount given. Given the process and the burden of financing a merchant with the difference between the full 100% amount and the discounted amount, a credit card company would be forced to hold the discounted portion in reserve, an additional process step and system operation, which is not used in this invention.

There is nothing that can be said about the failure of others as, by the limited selection of patents cited, nothing as innovative as applicant's invention has been conceived, or attempted.

IV.

Examiner's Response to Applicant's Arguments -Rebuttal

Examiner's response to applicant's arguments, in summary are,

a) Harris states ". . . both a debit transaction for 100% of the purchase price and a credit transaction or the discounted savings are on the participant's transaction card account statement. (See Page 10, lines 10 - 14.

Applicant's Rebuttal: Harris does not show the claimed and recited,

,

"discount debit plan providers terminal responsive to said transaction data for crediting said merchant's account with a merchant's discounted amount represented by said full transaction amount reduced by said participating merchant's discount."

is not the discount debit system using Examiner's statement does not disclose a debit transaction for an amount less than "100% of the purchase price," or the use of a discount "

Examiner's statement,

"First, the statement indicates that a debit transaction occurs and Harris is not exclusively a credit process,

is not supported by Harris. Harris does not debit the card holder. Any payment to the merchant is subject to "settlement," and is not the discounted amount credit card system, as explained in the following.

b) "Examiner provided proper motivation for combining Harris and Pierce."

Applicant's Rebuttal: The teaching, motivation, or whether modifying Harris by adding Pierce is the same as adding a part to an existing combination, without any change in the functions of the separate parts, is the issue to be decided in resolving a question of obviousness.

c) Harris may operate in batch mode or as a direct on line transaction.

However, whether in batch or on line direct, Harris is limited to a credit card system and does not disclose an on line money transfer debit system.

Applicant's Rebuttal: While examiner is correct that eventually, a credit transaction must be settled, as stated in Harris, by its nature, the card holder is given a credit and no funds are transferred from the card holder's account directly to the merchant. The credit may last for a minimum non interest period or indefinitely where interest on the open credit amount is applied. Whereas in a debit transaction, the funds for payments are electronically transferred, no credit is given, the merchant receives only the discounted amount of the transactions and the card holder is given an instant benefit a discounted savings.

Examiner's identification of Harris as a debit card transaction is not supported by the facts of Harris. Examiner relies on the credit card process where a "debit," is recorded on the card holder's ledger. That disclosure in Harris is limited to the recording of the accounting data. In the limited credit card system of Harris, that means a record of money owed by the card holder and a loan to the credit card holder by the credit card company. The Harris, and Pierce, credit card systems do withdraw the actual funds from the card holder and account for the withdrawal, of funds, while distributing the funds to the merchant, and debit card service provider. There is no on line or batch withdrawal of flow of funds as would occur in a debit

card discount system, as claimed. See above Wikipedia definition of credit and debit card system, pages 2 and 3.

V. The Rejection Has Not Met the Standard For Establishing Obviousness Under 35 U.S.C.

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A. The Courts analysis in *KRC*, has,

a) a requirement in the case of a combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does,

b) when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious;

c. secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

B. How a Credit Card System operates.

As shown and described above in the reference to Wikipedia, the credit card system does not charge, bill, or debit, the card holder account. Instead, the card holder's account is credited for the purchase, which in fact is a loan to the card holder, the same as if the card holder's bank account was credited with a loan for the purchase.

That loan is subject to settlement where the card holder repays the loan. That leaves the merchant's account to be settled. In a credit card transactions, the credit card processor withholds an amount of the transaction in a reserve in the event of charge disputes or non pays. The merchant's receipt of the transaction funds is not complete until a period after the transaction, when the account is settled and is beyond the time for dispute. At settlement, or

at a later time, after the card holder pays the bill and returns the loan, the merchant, for the first time, has right, title, and rightful ownership, of the discounted transaction amount.

There is not disclosure or teaching in Harris, Barbara or Pierce, of the recited and claimed invention of a discount debit system using a discount plan provider terminal wherein, in a single transaction, the discount debit plan provider terminal controls the discount payment to the merchant, meaning the transfer of the discounted money payment to the merchant, the debiting of the card holder's account, meaning, transfer of the discounted money payment from the card holder, and the transfer of the fee difference between the amount taken from the card holder's account, and the amount paid to the merchant.

The credit card system and the debit card system, as disclosed in the cited patents are not systems shown as having separate credit and debit parts operating in the claimed invention, the same way as the separate parts would operated outside the claimed invention.

The cited patents do not disclose or show any recognition of the claimed invention. Prior to the instant application, there was nothing in the prior art that taught or disclosed a discount debit card system or it new functions, methods, or devices used inter operatively for achieving the claimed result.

One skilled in the art would be taught to use a credit card system or a non discount debit system or using a credit card system to collect the buying preferences of credit card holders. Viewing the cited patents, one skilled in the art would be taught away from the novel discount debit system using the recited claimed discount plan provider terminal to fund transfer.

Applicant requests examiner reconsider this rejection and allow the claims currently in the case.

Respectfully,

/joelirosenblatt/

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